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October 4, 2012

The Honorable Jocelyn Boyd
Chief Clerk and Administrator
Public Service Commission of South Carolina
101 Executive Center Drive, Suite 100
Columbia, South Carolina 29210

RE: Application regarding the acquisition of Progress Energy, Incorporated by Duke Energy Corporation and Merger of Progress Energy Carolinas, Incorporated and Duke Energy Carolinas, LLC
PSCSC Docket No.: 2011-158-E

Dear Mrs. Boyd:

Enclosed for filing is correspondence from Jim Rogers, Chief Executive Officer of Duke Energy Corporation, sent to Chairman Wright, Vice Chairman Mitchell, and Commissioners providing a brief update regarding integration of the combined company three months after merger close of Duke Energy Corporation and Progress Energy Inc. By copy of this letter, we are serving the same on all parties of record and the South Carolina Office of Regulatory Staff.

Should you have any questions, please contact me.

Very truly yours,

Timika Shafeek-Horton,
Deputy General Counsel

Attachment

cc: C. Dukes Scott
Nanette Edwards
Courtney Edwards
All Parties of Record



JAMES E. ROGERS
Chairman, President and CEO

October 3, 2012

Chairman David A. Wright
Vice Chairman Randy Mitchell
Commissioner John E. "Butch" Howard
Commissioner Elizabeth B. "Lib" Fleming
Commissioner G. O'Neal Hamilton
Commissioner Nikiya "Nikki" Hall
Commissioner Swain E. Whitfield
South Carolina Public Service Commission
101 Executive Center Drive, Suite 100
Columbia, S.C. 29210

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Dear Chairman Wright, Vice Chairman Mitchell, and Commissioners:

This letter is to follow up on my August 31, 2012 communication and provide an update on our merger integration progress three months after merger close.

Duke Energy is well positioned to deliver on the benefits of this merger for customers in South Carolina. We continue to implement best practices identified through integration. And because staffing is nearly complete, our organization has begun to unite and move forward in a positive way.

I am proud of how our employees, through it all, have remained focused on Duke Energy's core mission: providing affordable, reliable, increasingly clean electricity in safe and sustainable ways to our customers 24 hours a day, seven days a week.

Staffing

As I mentioned in my last letter, a top priority for Duke Energy is to complete the post-merger staffing process quickly and fairly. Our overarching principle has been to select the best talent available for each job. I am pleased to report all business units are on track to complete essentially all staffing by the end of October 2012.

As you will recall, 1,153 employees applied for participation in the Voluntary Severance Program (VSP). Since then, nearly 450 of these employees have left the company under the VSP program. Involuntary severance has been minimized; in fact, several business units are hiring, and we expect to open positions to internal and external candidates.

As previously reported, the Energy Supply, Nuclear, and Information Technology functions have essentially completed staffing. Below is a summary of the staffing process to date for the remaining functional areas:

- Customer Operations has staffed several layers of leadership and is now focused on mid-level manager and individual contributor roles.
- Finance staffing is nearly 80 percent complete. Most management positions have been filled, so the focus in October will largely be on individual contributor roles. We anticipate hiring for several open jobs in this business unit.
- Supply Chain continues to staff mid-level manager and individual contributor roles.
- Human Resources staffing is 90 percent complete and is primarily focused on naming the remaining individual contributor roles.
- Corporate Communications staffing is 75 percent complete. We anticipate hiring for several open jobs in this department.
- Administrative Services staffing is 75 percent complete. In September, we named Rodney Gaddy (from legacy Progress Energy) to lead this organization.
- Duke Energy Foundation staffing is complete.
- Legal, Audit Services and Ethics & Compliance has completed all staffing, with the exception of a few positions that remain open.
- Innovation and Improvement has completed staffing.

Leadership and Employee Engagement

Duke Energy's leadership team has continued to emphasize open communications and high visibility with employees to promote trust and unity. Our executives have been conducting a variety of informal forums, listening sessions and site visits with employees throughout the company to foster candid discussions.

For example, three of our executives teamed September 21 to spend the afternoon at our Raleigh Customer Service Center, holding an open forum with employees, meeting with local management and doing an informal walk-around. In the last week, I participated in a similar "Conversations Tour" at two employee sites in the St. Petersburg, Florida area and took part in an open forum with about 800 employees across our company.

Yesterday and today, the Duke Energy Executive Leadership Team, comprised of the company's top 75 leaders, met in Chapel Hill to focus on our opportunities and

challenges for 2013 and beyond. This strengthened our resolve as a united team to deliver on our commitments to customers, communities and other stakeholders.

South Carolina Community Outreach

As you have heard me say before, Duke Energy is committed to the health and success of the communities we serve in South Carolina. Clark Gillespy, state president for South Carolina, has spent a significant amount of time over the past few months meeting with community representatives, especially the leaders of South Carolina's higher education institutions. In September, he attended the Palmetto Business Forum and reaffirmed Duke Energy's commitment to economic development in South Carolina.

Fuel and Joint Dispatch

Duke Energy remains on track to achieve the guaranteed \$650 million in fuel and joint-dispatch savings for our customers in the Carolinas. Due to excellent coordination between the Raleigh and Charlotte energy control centers and the trading floor in Charlotte, joint dispatch of the Duke Energy Carolinas and Progress Energy Carolinas generating systems continues to create customer savings. Fuel savings are beginning to materialize and are expected to ramp up after we complete equipment upgrades designed to increase coal blending capabilities, scheduled for this fall. Testing of non-traditional coal blends continues at targeted coal stations. Details of these successes will be available in the October fuel report.

Nuclear Fleet

Across the nuclear fleet, Duke Energy is methodically integrating our team, moving toward one fleet focused on sustained operational excellence. We have implemented a new nuclear operating model to promote alignment and drive performance excellence through the strengthening of governance and oversight. Our senior nuclear leadership team participated in a "Leadership Advance" session to discuss this operating model in detail and to focus on key opportunities and challenges.

The merger has already improved work efficiencies and enhanced support for nuclear fleet operations. For example, our full nuclear team is focused on providing support to the Robinson Nuclear Plant in South Carolina through efforts such as supplying supervisor coaches and supporting focused work observations. We are utilizing a fleet approach to improve refueling outage planning, which is expected to improve outage execution. Our engineers are collaborating across the fleet to improve equipment reliability, especially for equipment that is common between the two legacy fleets. These are just a few examples of how we are expediting fleet alignment to improve the reliability, efficiency and overall performance of our nuclear plants.

Customer Operations and Service

The combined customer operations team continues to develop and share best practices to gain efficiencies, minimize risk, and maximize customer satisfaction, reliability and safety. Our South Carolina customer satisfaction metrics have been steady since merger close. We successfully executed our storm response plan for Hurricane Isaac, securing 1,400 line and service resources to respond to any impacts in our native territory, and ultimately deploying our own employees to the Gulf Coast states to assist with storm restoration there. Merger integration has helped us focus on best practices in predictive storm modeling, damage assessment, resource management and logistics.

Information Technology Integration

A critical aspect of our integration effort centers on the execution of more than 140 Information Technology integration projects, in addition to 19 projects that were successfully completed for Legal Day 1. These initiatives have been planned, and a majority and are being launched by year end with the remaining projects scheduled to launch in 2013 or subsequent years. Six key projects have already been completed.

Debt Issuance

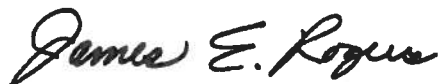
On September 18, Duke Energy Carolinas priced \$650 million of 30-year first mortgage bonds at a coupon of 4.00 percent. The proceeds from the issuance will be used to repay at maturity the \$400 million debentures due in November 2012, as well as for general corporate purposes, including the funding of capital expenditures.

Business and Financial Planning

Business and financial plans for 2012 for the combined company are complete, and planning for the 2013 - 2015 cycle is under way. Senior Management will present a preliminary 5-year financial plan to the Duke Energy board of directors in the months ahead.

We will continue to keep you informed of the status of our integration efforts. Meanwhile, please let me know if you have any questions.

Sincerely,



James E. Rogers

cc: C. Dukes Scott, Executive Director, Office of Regulatory Staff